

AMENDED IN ASSEMBLY AUGUST 22, 2014

AMENDED IN ASSEMBLY AUGUST 18, 2014

AMENDED IN ASSEMBLY JULY 2, 2014

AMENDED IN ASSEMBLY JUNE 10, 2014

AMENDED IN SENATE JANUARY 27, 2014

AMENDED IN SENATE JANUARY 6, 2014

AMENDED IN SENATE APRIL 23, 2013

SENATE BILL

No. 593

Introduced by Senator Lieu

February 22, 2013

An act to add and repeal Title 15.5 (commencing with Section 97000) of the Government Code, relating to social impact partnerships.

LEGISLATIVE COUNSEL'S DIGEST

SB 593, as amended, Lieu. Social impact partnerships: pilot program.

Existing law establishes the Office of Planning and Research in the Governor's office and sets forth its powers and duties as the comprehensive state planning agency, including, among other things, to evaluate plans and programs of departments and agencies of state government.

This bill would state findings and declarations of the Legislature regarding the social problems currently facing the state and the function of social innovation funding, pay-for-success contracts, and social impact partnerships. The bill would authorize the Governor, or his or her designee, *to solicit proposals for social impact partnerships using pay-for-success contracting and to enter into at least 3 pay-for-success*

social impact partnerships, as defined, or other model of social innovation financing, before December 31, 2019, to address policies or programs not currently funded by the state, to address a particular component of a state program in order to improve outcomes or lower state costs, to reduce recidivism, to reduce child abuse and neglect, or to assist at-risk and foster children, provided that the social impact partnership does not cause the displacement of any state employee and the contractual agreement contains specified provisions. The bill would require a pay-for-success contract for a social impact partnership to be submitted to the Legislature as part of the Governor's proposed budget, and any funding necessary for that fiscal year to be included in the Governor's proposed budget for the state agency that would administer or oversee the contract. The bill would require the Treasurer to separately account for moneys approved by the Legislature and the Governor to use for payment for these contracts, upon appropriation by the Legislature.

This bill would repeal these provisions on January 1, 2020.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Over six million people are currently living in poverty in
- 4 California, and 22 percent are children. One in five children in
- 5 California lives in poverty and nearly one-half of children in
- 6 California either live in poverty or perilously close to it.
- 7 (b) The recidivism rates in California are among the highest in
- 8 the nation. According to a 2012 report by the Department of
- 9 Corrections and Rehabilitation, just over 65 percent of those
- 10 released from California's prison system return within three years.
- 11 (c) Approximately 55,000 children are in the foster care system
- 12 in California, yet, according to the Pew Charitable Trusts, by 19
- 13 years of age only 57 percent of emancipated foster youth have
- 14 received high school diplomas or general education development
- 15 (GED). Over 70 percent of all state prison inmates have spent time
- 16 in the foster care system.
- 17 (d) Despite current efforts to address these challenges, there are
- 18 simply not sufficient resources available through traditional funding

1 mechanisms. Innovative approaches that can be shown to achieve
2 defined goals should be pursued.

3 (e) Research and experience at the federal level and in other
4 states show that the public can benefit from the use of social
5 innovation financing to establish partnerships between
6 governmental agencies, private investors, and service providers
7 using pay-for-success contracts to achieve measurable social
8 benefits.

9 (f) Social innovation financing and the use of pay-for-success
10 contracting can be an especially effective tool for addressing social
11 and community development challenges where private sector
12 innovations are needed and multiple approaches are appropriate.

13 (g) This act will authorize the state to contract with
14 nongovernmental organizations to provide a service to a targeted
15 population over a specified period of time. If the results of the
16 services provided meet predetermined program goals, the state
17 will repay the nongovernmental organization for the services
18 rendered plus an agreed upon rate of return. If the social program
19 does not meet the targets, the government pays nothing.

20 (h) This act will authorize the state to enter into ~~at least three~~
21 pay-for-success contracts to meet state goals to reduce recidivism
22 and improve outcomes in the child welfare system. These contracts
23 are in addition to any contract entered into in connection with the
24 Social Innovation Financing Program authorized by Title 15.8
25 (commencing with Section 97008) of the Government Code.

26 (i) The social impact partnership model was first used in the
27 United Kingdom in 2010 and has since been adopted in New York.
28 Twelve other states are developing social impact partnerships,
29 including Illinois, Michigan, New Jersey, Ohio, and Washington.

30 (j) In a time of limited public funds and a decrease in
31 philanthropy, the social impact partnership model is being used
32 across the nation to address social problems, to reduce recidivism,
33 to reduce chronic homelessness, and to fund early childhood
34 intervention and prevention services and job training programs.

35 SEC. 2. Title 15.5 (commencing with Section 97000) is added
36 to the Government Code, to read:

1 TITLE 15.5. SOCIAL IMPACT PARTNERSHIPS PILOT
2 PROGRAM

3
4 CHAPTER 1. GENERAL

5
6 97000. This title shall be known, and may be cited, as the Social
7 Impact Partnerships Pilot Program.

8 97000.5. (a) For purposes of this title, the following definitions
9 shall apply:

10 (1) “Pay-for-success contract” means a type of contract that the
11 state may enter into with a service provider that sets performance
12 and quality standards that must be met in order for the service
13 provider to be paid. Pay-for-success contracts are often used to
14 address a defined demographic group’s particular needs for which
15 payment will be made after predetermined measurable results have
16 been achieved.

17 (2) “Social impact partnership” means a contractual relationship
18 between a public entity and one or more private entities for the
19 purpose of addressing a social, economic, or educational challenge.
20 The context, authorities, and responsibilities of a social impact
21 partnership are laid out in a pay-for-success contract.

22 (3) “Social innovation financing” means an investment
23 arrangement using private funding to finance a social program
24 administered by a nonprofit organization or a for-profit service
25 provider on behalf of a government agency pursuant to a
26 pay-for-success contract, social innovation bond, or other model
27 that results in the state paying for performance.

28 (b) Pay-for-success contracts, excluding those contracts entered
29 into pursuant to Title 15.8 (commencing with Section 97008), may
30 be entered into, subject to the conditions and requirements of this
31 title, for any of the following:

32 (1) To address policies or programs that may be appropriate to
33 meet a defined demographic group’s particular need, but that are
34 not currently funded by the state.

35 (2) To address a particular component of a state program in
36 order to improve outcomes or lower state costs.

37 (3) To improve outcomes in a program designed to reduce
38 recidivism in the population of formerly incarcerated individuals.

39 (4) To reduce the incidence of child abuse and neglect through
40 prevention and treatment, to improve the stability of at-risk and

1 foster children through behavioral health and other
2 trauma-informed care.

3 (c) A social impact partnership entered into pursuant to this title
4 shall not be used in lieu of funding or administering an existing
5 state program nor cause the displacement of any state employee.

6 (d) *The Governor, or his or her designee, may solicit proposals*
7 *for social impact partnerships using pay-for-success contracting*
8 *pursuant to Section 97001. At a minimum, each application for a*
9 *contract shall include all of the following:*

10 (1) *A description of the proposed social program.*

11 (2) *A description of the organization's experience in providing*
12 *the proposed social program.*

13 (3) *A description of the financial stability of the organization.*

14 (4) *An identification of each component of the social program*
15 *to be provided.*

16 (5) *A description of the manner in which the social program*
17 *will be provided.*

18 (6) *A description of the recruitment or selection process, or*
19 *both, for participants in the social program.*

20 (7) *The proposed quantifiable results upon which the success*
21 *of the program will be measured.*

22 (8) *An itemization of all expenses proposed to be reimbursed*
23 *under the contract.*

24 (9) *A description of how the final payments for successful*
25 *programmatic outcomes are structured in the contract.*

26 (10) *A description of all parties to the proposed contract,*
27 *including prospective investors and philanthropic foundations.*

28 ~~(d)~~

29 (e) The Governor, or his or her designee, is authorized to enter
30 into ~~a social impact partnership~~, *partnerships*, subject to the
31 conditions and requirements of this chapter, for the purposes set
32 forth in subdivision (b) if the pay-for-success contract contains all
33 of the following:

34 (1) A requirement that payments for services be conditioned
35 upon the achievement of specific outcomes based on defined
36 baseline metrics, performance measures, and quality standards.

37 (2) A requirement that an independent evaluator be used to
38 determine whether the performance outcomes and quality standards
39 have been achieved.

1 (3) Specifications for how success will be measured and
2 payments for services are earned.

3 (4) A calculation for the amount of, and the timing of, payments
4 that will be earned by the service provider during each year of the
5 agreement, if performance outcomes are achieved as determined
6 by the independent evaluator.

7 (5) If applicable, pursuant to paragraph (2) of subdivision (b),
8 a statement that the contract will result in significant performance
9 improvements or budgetary savings if the performance outcomes
10 are achieved.

11 (6) Safeguards to protect the well-being of the population being
12 served including, but not limited to, privacy, health, and safety.

13 ~~(e) If the Governor exercises the authority set forth in~~
14 ~~subdivision (d), he or she shall enter into at least three~~
15 ~~pay-for-success contracts for social impact partnerships or other~~
16 ~~model of social innovation financing before December 31, 2019.~~

17 (f) Before finalizing the terms and conditions of the
18 pay-for-success contract, the state agency that is assigned to
19 administer or oversee the pay-for-success contract authorized by
20 this title shall undertake an assessment to determine appropriate
21 baseline metrics, performance standards, and quality measures to
22 be included in the pay-for-success contract. At the conclusion of
23 the pay-for-success contract, the state agency shall provide the
24 Joint Legislative Budget Committee, the Senate Committee on
25 Business, Professions and Economic Development, and the
26 Assembly Committee on Jobs, Economic Development, and the
27 Economy, with an assessment of how effective the social impact
28 partnership model was in meeting the particular needs of the
29 targeted demographic group and make recommendations on how
30 the structure or process of undertaking a social impact partnership
31 through pay-for-success contracts may be improved.

32 97001. (a) A pay-for-success contract for a social impact
33 partnership shall be submitted to the Legislature as part of the
34 Governor's proposed budget, including any statutory changes that
35 may be necessary for the pay-for-success contract to move forward.
36 Any funding of the contract for that fiscal year shall be included
37 in the Governor's proposed budget for the state agency that would
38 administer or oversee the contract. A pay-for-success contract shall
39 not be entered into without funding approval by the Legislature.

1 This subdivision shall not apply to any contract entered into
2 pursuant to Title 15.8 (commencing with Section 97008).

3 (b) The Treasurer shall separately account for moneys within
4 the State Treasury for pay-for-success contracts that have been
5 approved by the Legislature and the Governor, and hold those
6 moneys, until the outcome of the social impact partnership has
7 been evaluated, pursuant to subdivision (g) of Section 97000.5,
8 and the moneys appropriated by the Legislature for payment of
9 the pay-for-success contract.

10 97002. (a) This title shall not apply to any contract entered
11 into pursuant to Title 15.8 (commencing with Section 97008).

12 (b) This title does not create a statutory entitlement to services
13 or any contractual obligation on the part of the state.

14 97003. This title shall be repealed on January 1, 2020.